

Tobin & Co.

Elk Rapids District Library

Antrim County, Michigan

Audit Report

For the Year Ended February 29, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Elk Rapids District Library	County Antrim
Fiscal Year End 2/29/08	Opinion Date 8/3/08	Date Audit Report Submitted to State 8/27/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Tobin & Co., P.C.		Telephone Number 231-947-0151		
Street Address 400 E. Eighth St.		City Traverse City	State MI	Zip 49686
Authorizing CRA Signature <i>David L. Basler</i>		Printed Name DAVID L. BASLER		License Number 1101013418

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INTRODUCTORY SECTION

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Comments and Recommendations

We have examined the basic financial statements and the individual fund financial statements of Elk Rapids District Library, Antrim County, for the year ended February 29, 2008 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Library's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Library's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Elk Rapids District Library taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

Organization and Function

The Elk Rapids District Library is organized in accordance with State statutes. It serves residents of the Village of Elk Rapids, Elk Rapids Township, Milton Township, and Torch Lake Township, Michigan. It is recognized as a public library by the State Library Board to which it submits annual reports. The Public Library is governed by an appointed board. The Board meets monthly.

The Library has numerous volumes available for loan to users. Users must be registered with the Library. Fines are assessed for overdue books, and follow-up procedures have been adopted and are enforced.

Revenues consist of property taxes assessed by the townships served, penal fines assessed by the County court, State aid, earned interest, donations, and other miscellaneous income.

Accounting Records and Procedures

In general, accounting records were maintained in very good order. Recorded revenues were deposited timely and intact. Bank accounts were reconciled on a monthly basis. Our testing disclosed that disbursements were supported by itemized invoices.

The Librarian maintains a receipts and disbursements journal which also reflects the balance in the bank at all times. Income and expenses are posted monthly from the journal to individual ledger accounts from which periodic and annual financial statements are prepared.

Board Minutes

Board minutes were maintained in good order.

Budgets and Procedures

A budget for the General Operating Fund was prepared and amended as required by law.

Insurance and Surety Bond Coverage

Records indicate that the Library has such insurance coverage as fire and extended coverage for buildings, collections, and equipment, general liability and workmen's compensation. The coverage was reviewed during the audit year. The Treasurer is bonded for \$100,000.

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

To the Library Board
Elk Rapids District Library
Antrim County
Elk Rapids, Michigan 49629

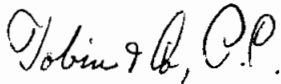
We have audited the basic financial statements of Elk Rapids District Library, Antrim County, as of and for the year ended February 29, 2008, as listed in the table of contents. These basic financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of such funds of Elk Rapids District Library, Antrim County at February 29, 2008, and the results of operations in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The supplemental information has been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.
Certified Public Accountants
August 3, 2008

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ELK RAPIDS DISTRICT LIBRARY MANAGEMENT DISCUSSION AND ANALYSIS

Relationship of Financial Statements

The basic financial statements contained herein include information that presents two different views of the Library using the modified-accrual and full accrual methods.

The modified-accrual method focuses on current financial resources. The full-accrual method focuses on long-term economic resources and presents a statement of not only how services were financed in the short-term, but also what remains for future spending. Under the former system, capital outlay is an expense. Under the latter system, capital outlay is capitalized as an asset, resulting in a statement of more net profit.

The Library as a Whole

The Library's net revenue decreased by \$1,888 over the previous fiscal year compared to an increase of \$11,174 last year. The Library's primary source of revenue is provided from the millage of .040 mills assessed from the Library District. The millage provided approximately 77% of the year's revenue compared to 82% last year. Other major sources of revenue included penal fines, interest, general donations and State aid which provided about 20% of the yearly revenue; all other sources provided approximately 3%.

Salaries and benefits account for approximately 58% of this year's expenditures for a total of \$106,329. This was a decrease of 4% over the previous year.

The largest non-salary related expenditures were for books, periodicals, and tapes in the amount of \$25,494 or 14% of the expenditures compared to \$28,248 last year. There was one major building upgrade expenditure this year of \$8,349 for replacement windows.

The Library Funds

The Library uses a General Fund to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library. The Library also has a separate Building Improvement Fund which is designated for special projects.

Capital Asset Investments

At the end of the fiscal year, the Library had \$499,711 invested in furniture, equipment, books, and audio-visual materials. The Library has a long-term lease with the Village of Elk Rapids for use of the library building, with annual lease payments of one dollar.

The Library's Budgetary Highlights

The Library Board of Trustees voted to continue the district wide millage at the lower rate of .040 mills although there was consideration of an even further reduction to .038 mills. The Board decided to re-evaluate this next year.

Next Year's Anticipated Budget Factors

No unusual expenditures or projects are anticipated for next year. As indicated above, a further millage reduction will be considered.

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Elk Rapids District Library Statement of Net Assets February 29, 2008

Assets

Cash and Cash Equivalents	\$ 259,351
Prepaid Expenses	1,191
Other Capital Assets, Net of Accumulated Depreciation	<u>499,711</u>
Total Assets	<u>\$ 760,253</u>

Liabilities

Accounts Payable	\$ 2,211
Accrued Salaries and Wages	1,866
Accrued Compensated Absences	<u>2,406</u>
Total Liabilities	<u>6,483</u>

Net Assets

Invested in Capital Assets	499,711
Restricted for Building Improvements	5,120
Unrestricted	<u>248,939</u>
Total Net Assets	<u>\$ 753,770</u>

See Accompanying Notes to Basic Financial Statements

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Elk Rapids District Library Statement of Activities For the Year Ended February 29, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
Governmental Activities:		<u>Services</u>	<u>Grants/</u>	<u>Net (Expense)</u>
Library Services	\$ 194,072	\$ 6,749	\$ 12,772	<u>Revenue and</u>
				<u>Changes in</u>
				<u>Net Assets</u>
<u>General Revenues</u>				
Intergovernmental:				
Property Taxes Levied for General Purposes				\$ 179,804
State Aid				3,882
Penal Fines				20,587
Interest Income				8,954
Miscellaneous				<u>277</u>
Total General Revenues				<u>213,504</u>
<u>Change in Net Assets</u>				38,953
Net Assets – Beginning of Year				<u>714,817</u>
Net Assets – End of Year				<u>\$ 753,770</u>

See Accompanying Notes to Basic Financial Statements

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Elk Rapids District Library Balance Sheet Governmental Funds February 29, 2008

	General Fund	Building Improvement Fund	Total Governmental Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 250,039	\$ 9,312	\$ 259,351
Due from Building Improvement Fund	4,192	-	4,192
Prepaid Expenses	<u>1,191</u>	<u>-</u>	<u>1,191</u>
Total Assets	<u>\$ 255,422</u>	<u>\$ 9,312</u>	<u>\$ 264,734</u>
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 2,211	\$ -	\$ 2,211
Due to General Fund	-	4,192	4,192
Accrued Salaries and Wages	1,866	-	1,866
Accrued Compensated Absences	<u>2,406</u>	<u>-</u>	<u>2,406</u>
Total Liabilities	<u>6,483</u>	<u>4,192</u>	<u>10,675</u>
<u>Fund Balance</u>			
Reserved for Public Improvements	-	5,120	5,120
Reserved for Board Purposes	5,000	-	5,000
Unreserved	<u>243,939</u>	<u>-</u>	<u>243,939</u>
Total Fund Equity	<u>248,939</u>	<u>5,120</u>	<u>254,059</u>
Total Liabilities and Fund Equity	<u>\$ 255,422</u>	<u>\$ 9,312</u>	<u>\$ 264,734</u>

See Accompanying Notes to Basic Financial Statements

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Elk Rapids District Library
Reconciliation of the Balance Sheet of the Governmental Funds
To the Statement of Net Assets
For the Year Ended February 29, 2008

Fund Balance – Total Governmental Funds		\$ 254,059
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Amounts Reported for Governmental Activities in the Statements of
Net Assets are Different Because:

Capital assets used in governmental activities are not financial resources and
are not reported in the General Fund:

Governmental Capital Assets	\$ 947,416	
Less: Accumulated Depreciation	<u>(447,705)</u>	<u>499,711</u>

Net Assets – Governmental Activities		<u>\$ 753,770</u>
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See Accompanying Notes to Basic Financial Statements

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Elk Rapids District Library Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended February 29, 2008

	General Fund	Building Improvement Fund	Total Governmental Funds
<u>Revenues</u>			
Contributions from Local Units:			
Elk Rapids Township	\$ 78,586	\$ -	\$ 78,586
Milton Township	101,218	-	101,218
Contract Fees – Torch Lake Township	3,500	-	3,500
State Grants:			
State Aid	3,882	-	3,882
Fines and Forfeits:			
Penal Fines	20,587	-	20,587
Book Fines	1,671	-	1,671
Charges for Services:			
Replacement Card	69	-	69
Copier Fees	439	-	439
ILL Fees	81	-	81
Non-resident Fees	390	-	390
Interest and Rent:			
Interest	8,775	179	8,954
Other:			
Donations	12,291	481	12,772
Note Cards	21	-	21
Miscellaneous Income	277	-	277
Book Purchase/Replacement	578	-	578
Total Revenues	<u>232,365</u>	<u>660</u>	<u>233,025</u>
<u>Expenditures</u>			
Supplies:			
Library	\$ 1,274	\$ -	\$ 1,274
Office	1,377	-	1,377
Cleaning	633	-	633
Books and Audio Tapes	15,275	-	15,275
Rental Books and Tapes	4,783	-	4,783
Periodicals	5,436	-	5,436
Insurance:			
General	3,102	-	3,102
Workers Compensation	421	-	421
Utilities:			
Water	428	-	428
Natural Gas	1,719	-	1,719
Telephone	1,778	-	1,778
Internet	1,300	-	1,300
Accounting and Legal	5,690	-	5,690
Contracts/MMLL	2,460	-	2,460
Technical Support	5,274	-	5,274
Postage	925	-	925
Printing:			
Publicity	135	-	135
Other	125	-	125
Programs:			
Children's Reading	584	-	584
Adults	1,159	-	1,159

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Elk Rapids District Library
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended February 29, 2008

	General Fund	Building Improvement Fund	Total Governmental Funds
<u>Expenditures (Continued)</u>			
Mileage	196	-	196
Maintenance:			
Building Facilities	16,380	-	16,380
Xerox	924	-	924
Capital Outlay:			
Technology	4,008	-	4,008
Furniture	415	-	415
Other	404	-	404
Education	215	-	215
Payroll:			
FICA	5,589	-	5,589
Medicare	1,307	-	1,307
Gross	90,312	-	90,312
Pension	2,030	-	2,030
Health Insurance	7,091	-	7,091
Miscellaneous	351	-	351
Bank Charges	-	121	121
Total Expenditures	<u>183,100</u>	<u>121</u>	<u>183,221</u>
Excess Revenues (Expenditures)	49,265	539	49,804
Fund Balance – Beginning of Year	<u>199,674</u>	<u>4,581</u>	<u>204,255</u>
Fund Balance – End of Year	<u>\$ 248,939</u>	<u>\$ 5,120</u>	<u>\$ 254,059</u>

See Accompanying Notes to Basic Financial Statements

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Elk Rapids District Library
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds
To the Statement of Activities Governmental Funds
For the Year Ended February 29, 2008

Net Change in Fund Balances – Total Governmental Funds \$ 49,804

Amounts Reported for Governmental Activities in the Statements of
Activities are Different Because:

Governmental funds report capital outlays as expenditures. However, in
the Statement of Activities, the cost of those assets is depreciated over
their estimated useful lives.

Expenditures for Capital Assets	\$ 26,756	
Less: Current Year Depreciation and Amortization	<u>(37,607)</u>	<u>(10,851)</u>

Change in Net Assets – Governmental Activities \$ 38,953

See Accompanying Notes to Basic Financial Statements

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Elk Rapids District Library Notes to Financial Statements February 29, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Elk Rapids District Library (the Library) was organized during 1939. The Library serves primarily the residents of the Village of Elk Rapids, Elk Rapids Township, Milton Township and Torch Lake Township, Michigan. The Library operates under an appointed Board of Directors consisting of eight members.

The Library's basic financial statements include the accounts of all Library operations. The criteria for including organizations within the Library's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*", includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Library. Governmental activities are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported instead as general revenues.

The financial activities of the Library are also reported in a separate self-balancing governmental fund described as follows:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library. Revenues are derived primarily from property taxes and other intergovernmental revenues.

Building Fund – This fund is used to account for major additions to the current physical plant and other major acquisitions. Revenues are derived from general donations specifically earmarked for building improvements.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all Library Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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Elk Rapids District Library
Notes to Financial Statements
February 29, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets

The General Fund and Building Improvement Fund are under formal budgetary control. Budgets shown in the required supplementary schedule for this fund were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Library.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$3,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Leasehold Improvements	20 - 40 years
Furniture and Equipment	5 - 30 years
Collections	6 years

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at February 29, 2008.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended February 29, 2008, no line item exceeded its appropriation without formal budget amendment.

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Elk Rapids District Library
Notes to Financial Statements
February 29, 2008

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Library, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits

The Library had \$259,931 deposited with a local financial institution at February 29, 2008 with a carrying value of \$259,351. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Library had \$149,598 of uninsured deposits at February 29, 2008.

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Elk Rapids District Library Notes to Financial Statements February 29, 2008

NOTE 4 - CAPITAL ASSETS

Capital assets of governmental activities consisted of the following:

	Balance 2/29/07	Additions	Deletions	Balance 2/29/08
Capital Assets:				
Leasehold Improvements	\$ 498,074	\$ 8,348	\$ -	\$ 506,422
Collection	295,481	15,274	10,044	300,711
Furniture and Equipment	<u>137,149</u>	<u>3,134</u>	<u>-</u>	<u>140,283</u>
Total	930,704	26,756	10,044	947,416
Accumulated Depreciation	<u>(420,142)</u>	<u>(37,607)</u>	<u>(10,044)</u>	<u>(447,705)</u>
Net Other Capital Assets	<u>\$ 510,562</u>	<u>\$ (10,851)</u>	<u>\$ -</u>	<u>\$ 499,711</u>

NOTE 5 - INVENTORIES

Elk Rapids District Library does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 6 - LEASES

The Library entered into a lease with the Village of Elk rapids on July 20, 1998 for the use of premises located at 300 Noble, Elk Rapids, Michigan (commonly known as the "Island House"). The lease calls for annual lease payments of one dollar (\$1.00) and other good and valuable consideration. The term of the lease is for forty (40) years and does not provide for automatic renewal or extension of the lease; but the parties may, on a voluntary basis, agree to extend or renew the lease upon such terms and provisions as shall be negotiated in the future.

The Library has entered into a non-cancelable operating lease for the use of a Xerox copier/printer/scanner. The lease began on December 14, 2007 and required sixty (60) monthly payments of \$44.72. The lease expense for the fiscal year ended February 29, 1008 was \$924. Remaining lease obligation is as follows:

2008-09	\$ 537
2009-10	537
2010-11	537
2011-12	537
2012-13	<u>446</u>
	<u>\$ 2,594</u>

NOTE 7 - CONTINGENT LIABILITIES

There are no known contingent liabilities of the Library.

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Elk Rapids District Library
Notes to Financial Statements
February 29, 2008

NOTE 8 - COMPENSATED ABSENCES

Employees may use their accumulated compensated absences for vacation, illness, or personal days off. Compensatory and vacation time shall be used by the end of every fiscal year with the exception that fifteen days may be carried into the following year.

NOTE 9 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Library addressed these risks through the purchase of commercial insurance. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 10- DEFERRED COMPENSATION PLAN

During the 2004-2005 fiscal year, the Board instituted a 403(b) retirement plan for the Library director. The plan is administered by Capital Bank and Trust Company who has designated Prime Vest Financial Services as its agent. The plan allows the director to defer a portion of her salary until future years. The Library has elected to contribute 5% of eligible compensation to this plan. Total Library contributions were \$2,030 for the year ended February 29, 2008.

All amounts of compensation deferred, all property and rights purchased, and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries.

NOTE 11- FUND BALANCE DESIGNATIONS

The Library has established a reserve for future unemployment costs in that they are a reimbursing employer with the Michigan Employment Security Commission. The District Library only pays after someone has filed a claim for unemployment compensation. No additional accrual was made during the fiscal year as the current reserve of \$5,000 appears to be adequate to handle potential claims.

SUPPLEMENTAL DATA SECTION

Tobin & Co.

Elk Rapids District Library Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended February 29, 2008

Schedule 1
Page 1

<u>Revenues</u>	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Contributions from Local Units:				
Elk Rapids Township	\$ 76,000	\$ 78,586	\$ 78,586	\$ -
Milton Township	101,000	101,159	101,218	59
Contract Fees – Torch Lake Township	3,500	3,500	3,500	-
State Grants:				
State Aid	1,000	3,882	3,882	-
Fines and Forfeits:				
Penal Fines	13,000	20,586	20,587	1
Book Fines	1,500	1,571	1,671	100
Charges for Services:				
Replacement Card	100	69	69	-
Copier Fees	350	399	439	40
ILL Fees	100	78	81	3
Non-resident Fees	400	370	390	20
Interest and Rent:				
Interest	4,500	8,606	8,775	169
Other:				
Donations	4,000	12,196	12,291	95
Note Cards	-	21	21	-
Miscellaneous Income	100	77	277	200
Book Purchase/Replacement	<u>1,000</u>	<u>551</u>	<u>578</u>	<u>27</u>
Total Revenues	<u>206,550</u>	<u>231,651</u>	<u>232,365</u>	<u>714</u>
<u>Expenditures</u>				
Supplies:				
Library	\$ 4,000	\$ 1,700	\$ 1,274	426
Office	2,000	1,700	1,377	323
Cleaning	1,000	700	633	67
Other	100	100	-	100
Books and Audio Tapes	25,000	17,000	15,275	1,725
Rental Books and Tapes	7,000	6,000	4,783	1,217
Video Tapes	1,200	-	-	-
Periodicals	4,500	6,000	5,436	564
Insurance:				
General	4,000	4,000	3,102	898
Workers Compensation	500	500	421	79
Utilities:				
Water	600	500	428	72
Natural Gas	5,000	4,000	1,719	2,281
Telephone	2,000	2,200	1,778	422
Internet	1,500	1,500	1,300	200
Accounting and Legal	5,500	6,000	5,690	310
Contracts/MMLL	3,500	2,500	2,460	40
Technical Support	5,000	6,000	5,274	726
Postage	1,500	1,200	925	275

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Elk Rapids District Library
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended February 29, 2008

Schedule 1
Page 2

Expenditures (Continued)	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Printing:				
Publicity	300	200	135	65
Other	200	200	125	75
Programs:				
Children's Reading	1,500	700	584	116
Volunteers	500	-	-	-
Board of Trustees	500	-	-	-
Adults	1,000	1,500	1,159	341
Mileage	500	250	196	54
Maintenance:				
Building Facilities	15,000	20,000	16,380	3,620
Xerox	1,500	1,100	924	176
Capital Outlay:				
Technology	2,000	5,000	4,008	992
Furniture	2,500	500	415	85
Other	2,000	1,000	404	596
Education	1,000	300	215	85
Payroll:				
FICA	6,500	6,500	5,589	911
Medicare	1,500	1,500	1,307	193
Gross	105,000	95,000	90,312	4,688
Pension	2,100	2,200	2,030	170
Health Insurance	8,500	7,500	7,091	409
Miscellaneous	3,000	500	351	149
Contingency	-	26,101	-	26,101
Total Expenditures	229,000	231,651	183,100	48,551
Excess (Deficiency) Revenue Over Expenditures	(1)	\$ (22,450)	\$ -	\$ 49,265
Fund Balance – Beginning of Year			199,674	
Fund Balance – End of Year			\$ 248,939	
(1) Budgeted from Fund Balance				

See Accompanying Notes to Basic Financial Statements